

Message Text

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PAGE 01 STATE 184345
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MISSION ALSO FOR USMTN

E.O. 11652: N/A

TAGS: ETRD, GATT, FI

SUBJECT: U.S. FINNISH AGREEMENT ON PAPERMAKING MACHINERY
COMPONENTS

REF: STATE 49096

1. ON JULY 21 FINNISH CHARGE ERIK HELLQVIST AND
AMBASSADOR ALAN WM. WOLFF, U.S. DEPUTY SPECIAL REPRESENTA-
TIVE FOR TRADE NEGOTIATIONS, WILL SIGN A TRADE AGREEMENT
RESTORING THE SUBSTANCE OF AN EARLIER U.S. TARIFF CONCES-
SION ON PAPERMAKING MACHINERY.

UNCLASSIFIED

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PAGE 02 STATE 184345

2. THE UNITED STATES AGREED IN THE 1964-67 KENNEDY ROUND
OF TRADE NEGOTIATIONS TO REDUCE THE DUTY ON PAPERMAKING
MACHINERY TO 3.5 PERCENT. HOWEVER, IN 1977 THE U.S.
CUSTOMS SERVICE DETERMINED THAT A COURT DECISION WOULD
OBLIGE THEM TO RECLASSIFY A NUMBER OF PAPERMAKING MACHINERY
COMPONENTS UNDER TARIFF ITEMS CARRYING HIGHER RATES OF

DUTY. FINLAND, AN IMPORTANT EXPORTER OF THIS MACHINERY, PROTESTED THE IMPENDING RULING SINCE IT WOULD IMPAIR THE SUBSTANCE OF THE KENNEDY ROUND CONCESSION.

3. TO SOLVE THIS PROBLEM, FINNISH AND AMERICAN NEGOTIATORS WORKED OUT AN AGREEMENT WHICH WOULD RESTORE THE SUBSTANCE OF THE KENNEDY ROUND CONCESSION BY CREATING SUB-ITEMS DUTIABLE AT 3.5 PERCENT FOR THE FOLLOWING PRINCIPAL COMPONENTS OF PAPERMAKING MACHINERY: STOCK PUMPS, CALENDERING AND SIMILAR ROLLING MACHINES, DRYERS, HEAT RECOVERY AND VENTILATION EQUIPMENT, STEAM CONDENSATE SYSTEMS, AND GEAR BOXES. UNDER THE RECLASSIFICATION, WHICH BECAME EFFECTIVE ON MARCH 13, 1978, THESE COMPONENTS NOW CARRY RATES OF 4.5-6 PERCENT.

4. U.S. IMPORTS OF PAPERMAKING MACHINERY AND COMPONENTS IN 1976 WERE VALUED AT \$30.3 MILLION. FINLAND WAS PRINCIPAL SUPPLIER IN THAT YEAR WITH \$10.4 MILLION IN SALES. NO STATISTICS ARE AVAILABLE ON THE PRODUCTS AFFECTED BY THE CUSTOMS SERVICE RULING OR THE PROPOSED CREATION OF THE FOUR SUB-ITEMS.

5. WE DO NOT PLAN TO PUBLICIZE THE AGREEMENT IN THE UNITED STATES BUT HAVE NO OBJECTION IF THE EMBASSY WISHES TO DRAW ON THE ABOVE INFORMATION FOR A PRESS RELEASE IN FINLAND. COPIES OF THE AGREEMENT WILL BE POUCHED TO BOTH UNCLASSIFIED

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PAGE 03 STATE 184345

ADDRESSEES. VANCE

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